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Saudi Arabia

Market Brief

Ban on Canadian Beef Imports is Expected to Increase U.S. Beef Exports 2005

Approved by:

Asif J. Chaudhry

U.S. Embassy, Cairo, Egypt

Prepared by:

Hussein Mousa, Ali Abdi

Report Highlights:

On March 7, 2005, the Saudi Ministry of Commerce and Industry (MOCI) placed a temporary ban on imports of beef and beef products from Canada because of the discovery of a third case of Bovine Spongiform Encephalopathy (BSE) or "Mad Cow" disease in Canada. The ban on Canadian beef is expected to increase U.S. beef exports to Saudi Arabia.

Includes PSD Changes: No

Includes Trade Matrix: No

Unscheduled Report

Riyadh [SA2]

[SA]

Ban on Canadian Beef is Expected to Increase Imports from the United States

On March 7, 2005, the Saudi Ministry of Commerce and Industry (MOCI) issued a circular to Saudi traders announcing a temporary ban on imports of beef and beef products from Canada because of the discovery of a third case of Bovine Spongiform Encephalopathy (BSE) or "Mad Cow" disease in Canada. Last year, the MOCI banned imports of Canadian live cattle when a case of BSE was discovered in the Canadian province of Alberta.

The ban on Canadian beef is expected to significantly increase U.S. beef exports to Saudi Arabia. Saudi high quality beef importers indicated that the ban on Canadian beef imports has left the U.S. as the only high quality beef supplier to the Kingdom. Some importers reported a 10 to 15 percent increase in demand for U.S. beef following the Saudi government's decision to temporarily ban imports of Canadian beef. One Saudi firm that used to import one 40-foot container of frozen U.S. beef monthly before the ban on Canadian beef was imposed is now planning to bring in two containers every 45 days. Importers say that U.S. beef exports to Saudi Arabia could increase sharply if the government removes its restrictions on animal protein based feed supplements and growth hormones. In 2001, the Saudi Ministry of Commerce issued requirements for beef and poultry meat imports, which call for an official statement certifying that the animal slaughtered was not fed animal protein-based and was not treated with growth hormones.

In 2003 Canadian beef exports to Saudi Arabia totaled U.S. \$1.9 million, accounting for 5 percent of the total Canadian agricultural products exports to the Kingdom, which were valued at \$34.6 million. In 2003, the United States total beef and beef products exports were valued at \$11.2 according to the United Nations Statistical Office. Based on the same data, Saudi Arabia's total beef and beef products imports were valued at \$89 million during the same period.

For the past several years, Saudi Arabia has maintained a strict ban on imports of beef and beef derivatives from the European Union and other countries affected by BSE. Until a ban on Irish beef was placed in December 1999, Saudi Arabia used to import annually about 50 percent of its total beef requirement from Ireland. On the other hand, the exit of Irish beef from the Saudi market has propelled Brazil to the first place among the leading beef suppliers to Saudi Arabia, followed by U.S., Australia and Paraguay. The following table shows Saudi Arabian beef and beef products imports for calendar years 1999 to 2003.

Top Five Suppliers	Values in Thousands of U.S. Dollars				
	1999	2000	2001	2002	2003
Brazil	\$3,955	\$4,204	\$24,457	\$69,366	\$58,476
United States	3,367	4,524	4,162	5,225	11,209
Australia	3,902	7,250	13,622	10,681	8,571
Paraguay	0	201	225	259	5,718
Other	87,854	82,315	13,619	11,756	5,030
World	\$99,078	\$98,494	\$56,085	\$97,287	\$89,004

Source: FAS' Global Agricultural Trade System using data from the United Nations Statistical Office.

Demand:

The annual demand for beef and veal in Saudi Arabia is estimated at about 100,000 metric tons (MT), with about 50 percent imported. Local beef and veal production comes from culled dairy cows, male calves and imported bulls. In CY 2003, the Kingdom imported 46,209 MT of beef and veal, with Brazil dominating the market. Brazilian beef popularity in the past five years was achieved due to its high price competitiveness compared to other beef suppliers to the Saudi market. For example, a kilo of Brazilian T-bone steak is sold for \$8.79 in local upscale supermarkets compared to \$29.07 for T-bone steak from the United States.

Recent Retail Prices of American and Brazilian Chilled Beef at an Upscale Supermarkets Chain in Riyadh (all prices are in U.S. dollars per kilogram).

Country	Strip loin	Rib eye	T-Bone Steak	Prime Ribs	Tenderloin
U.S.	29.07	29.07	29.07	26.40	40.00
Brazil	8.79	8.79	--	--	18.40

A French hypermarket, Carrefour, often sells in its Riyadh store a kg of Brazilian veal steaks, beef mince and beef cubes respectively at \$5.84, \$2.11 and \$2.38.

According to local beef importers, freight rates contribute significantly to the higher prices of U.S. beef compared to competing suppliers. Chilled beef from the United States arrives in Saudi Arabia by air, while chilled beef from Brazil arrives by sea. The huge quantity imported from Brazil makes it possible to charter vessels that sail directly from Brazilian ports to Saudi in two weeks. About 20-25 percent of all U.S. beef imported by Saudi traders is chilled with the balance frozen. Upscale Saudi supermarkets import chilled U.S. beef for distribution at their own outlets. Local beef importers bring in U.S. beef for distribution to upscale restaurants, five star hotels, fast foods restaurants, up scale catering companies and palaces. Usually, it takes about three weeks for U.S. frozen beef to arrive at Saudi ports due to a couple of stopovers made in Europe by carrying vessels on their way to the Kingdom. However, vessels that do not stop in Europe or in other ports can arrive in Saudi Arabia within 15 days.

Consumption:

Sheep and chicken meats continue to be the sources of animal based protein for most Saudis and expatriates living in the Kingdom. A recent survey conducted by the Saudi Ministry of Agriculture concluded that sheep meat accounted for 70 percent of total red meat consumption followed by beef (20 percent) and camel meat (10 percent). The prices of lamb meat are comparable to those of Brazilian beef sold in most hypermarkets in the Kingdom. Since the early 1990s, the demand for beef and veal has been on the upswing as a result of continued expansions of modern supermarkets, casual dining and fast food restaurants in the Kingdom. The number of supermarkets in Saudi Arabia has tripled over the past 15 years, currently totaling more than 300 outlets. Several more hypermarkets and hypermarkets are being built.

Saudi Arabia's population is currently estimated at 22.7 million and growing at more than 3 percent annually. More than half of Saudis are in their teens and nearly 70 percent are under the age of 30. However, there are no means of recreation for both young and older population: no bars, cinema, decent parks and similar entertainment facilities geared to both single and family alike. As a result, shopping trips and outside dining at fast food restaurants are very popular and are major forms of entertainments for the Kingdom's residents. The relatively higher per capita income estimated at about US \$9,000 per annum allows a large segment of the population the luxury of going out for weekend dinners. This factor has contributed to the huge expansion in the U.S. fast food chains offering hamburgers and other beef menus. Currently, major U.S. fast food chains such as McDonalds, Burger King, Wendy's, Hardess, and casual dining outlets such as Steak House, Fuddruckers, TGI Friday's, Applebee's and Chilies as well as leading local outlet Herfy and Kudo are expanding significantly to cover major Saudi cities, creating more opportunities for U.S. beef exports to Saudi Arabia.

According to major beef importers, the overall demand for imported beef is expected to grow significantly in the next few years as Saudis become more accustomed to buying beef in supermarkets and frequent the growing number of fast food restaurants.

Quality Regulations:

The Saudi Arabian Standards Organization (SASO) establishes standards for meat and meat products. Veterinarians from the Ministry of Agriculture supervise and enforce quality standards at local slaughterhouses. Local municipalities are responsible for enforcing quality standards and control at retail outlets selling meat.

The shelf life for chilled beef is 21 days; if vacuum-packed, the expiration period extends to 10 weeks from the date of slaughter. Vacuum packed beef should arrive at Saudi ports within 40 days from the slaughtering date. Shelf life for frozen imported beef is set at 12 months by SASO. Frozen beef should arrive at Saudi ports within four months from the production date.

For additional information about the Saudi beef import market, U.S. exporters can contact the USDA Agricultural Trade Office, U.S. Embassy, Riyadh, Saudi Arabia.

Tel: 966-1-488-3800 ext. 4351

Fax: 966-1-482-4364

Email: AgRiyadh@usda.gov